

The Centers for Medicare & Medicaid Services' (CMS') Competitive Bidding Program for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) is an important step towards paying appropriately for medical items and services. The program will **reduce** out-of-pocket expenses for Medicare beneficiaries and **save** the Medicare Program money while ensuring beneficiaries continue to receive **quality** products from **accredited** suppliers.

Medicare generally pays 80 percent of the fee schedule payment amount for DMEPOS items used in the home, such as oxygen equipment, walkers, wheelchairs, devices used to treat sleep disorders, and hospital beds, under Original Medicare Part B and beneficiaries pay the remaining 20 percent. For most of these items, the fee schedule payment amounts are based on historical charges, adjusted for inflation at times, and not on current market prices. The Office of the Inspector General and the Government Accountability Office conducted numerous studies and found that the prices paid by Medicare for certain DMEPOS items were excessive, sometimes three to four times that of retail prices and the amounts paid by commercial insurers. Clearly, Medicare needs a better way to pay for DMEPOS items.

How Will the DMEPOS Competitive Bidding Program Work?

DMEPOS suppliers compete to become Medicare contract suppliers by submitting bids to furnish certain medical equipment and supplies in the competitive bidding areas (CBAs). Medicare will use these bids to set a single payment amount, which will replace the fee schedule amount as payment for those items. The single payment amount must be lower than the fee schedule amount. All suppliers are thoroughly screened to ensure they meet Medicare requirements before they are awarded contracts.

Medicare beneficiaries with Original Medicare who live in CBAs will pay less for certain DMEPOS items and services. In certain situations, beneficiaries in CBAs who rent oxygen or certain other durable medical equipment may continue renting these items from their current suppliers when the program takes effect, regardless of whether the supplier is a contract supplier. Beneficiaries who start using competitively bid DMEPOS items after the program begins, or who do not continue renting equipment from their current suppliers, will need to use contract suppliers in most cases.

What Will Competitive Bidding Accomplish?

Competitive bidding will:

- Create incentives for suppliers to continue to provide quality products and services efficiently and at a reasonable cost.
- Lower the costs to beneficiaries and to taxpayers. Once fully implemented across the country, total savings are projected to be in the billions of dollars each year.
- Require that all suppliers in the program meet strict quality and financial standards and be accredited by a Medicare-deemed national accreditation organization.
- Select multiple winning contract suppliers, both small and large, to ensure beneficiaries have access to quality medical equipment and supplies with a choice of suppliers.

Does Competitive Bidding Work?

Competitive bidding for DMEPOS is proven to save money for taxpayers and Medicare beneficiaries while maintaining access to quality DMEPOS items and services. The Balanced Budget Act of 1997 required Medicare to test competitive bidding for DMEPOS items as a new way to set fees. Medicare implemented two demonstration projects in Polk County, Florida and San Antonio, Texas to determine if competitive bidding among suppliers would be successful in driving down costs to a fair market value while maintaining product quality. The demonstration projects showed that competition helps Medicare beneficiaries receive quality medical equipment and supplies at fair and reasonable prices. At the completion of the demonstration projects in 2002, Medicare found that:



- 77 percent of winning bidders were small suppliers;
- Beneficiaries saved 20 percent through the competitive model;
- · Access to quality equipment and supplies was maintained; and
- Beneficiary satisfaction remained high.

How Will the DMEPOS Competitive Bidding Program be Phased In?

Following the successful demonstrations, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) mandated that Medicare phase in the DMEPOS Competitive Bidding Program. Round One of the program was implemented on July 1, 2008 in 10 CBAs and resulted in a projected **average savings of 26 percent** compared to Medicare's fee schedule amounts. Two weeks after implementation of Round One, a temporary delay of the program was enacted by Congress as part of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), which mandated certain program modifications but did not fundamentally change the nature of the program required by the MMA. MIPPA required CMS to terminate supplier contracts awarded in Round One and conduct a new competition in nine CBAs in 2009 (Round One Rebid).

Medicare and its Competitive Bidding Implementation Contractor (CBIC) are currently evaluating bids submitted by suppliers in 2009 and expect to announce the competitive bidding payment rates resulting from the competition in June 2010. Medicare plans to announce the contract suppliers in September 2010, and the program is scheduled to go into effect in the nine Round One Rebid areas on January 1, 2011.

The supplier competition for the next phase (Round Two) of the program will begin in 2011.

What Are the Round One Rebid Areas and Product Categories?

The Round One Rebid areas are:

- Charlotte-Gastonia-Concord (North Carolina and South Carolina);
- Cincinnati-Middletown (Ohio, Kentucky, and Indiana);
- Cleveland-Elyria-Mentor (Ohio);
- Dallas-Fort Worth-Arlington (Texas);
- Kansas City (Missouri and Kansas);
- Miami-Fort Lauderdale-Pompano Beach (Florida);
- Orlando (Florida);
- Pittsburgh (Pennsylvania); and
- Riverside-San Bernardino-Ontario (California).

The Round One Rebid product categories are:

- Oxygen supplies and equipment;
- Standard power wheelchairs, scooters, and related accessories;
- Complex rehabilitative power wheelchairs and related accessories (Group 2 only);
- Mail-order diabetic supplies;
- Enteral nutrients, equipment, and supplies;
- Continuous Positive Airway Pressure (CPAP) machines, Respiratory Assist Devices (RADs), and related supplies and accessories;
- Hospital beds and related accessories;
- · Walkers and related accessories; and
- Support surfaces (Group 2 mattresses and overlays in Miami only).

Resources for Additional Information



To learn more about the DMEPOS Competitive Bidding Program, visit the DMEPOS Competitive Bidding web page at http://www.cms.hhs.gov/DMEPOSCompetitiveBid on the CMS website.







This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

This fact sheet was prepared as a tool to assist providers and is not intended to grant rights or impose obligations. Although every reasonable effort has been made to assure the accuracy of the information within these pages, the ultimate responsibility for the correct submission of claims and response to any remittance advice lies with the provider of services. The Centers for Medicare & Medicaid Services (CMS) employees, agents, and staff make no representation, warranty, or guarantee that this compilation of Medicare information is error-free and will bear no responsibility or liability for the results or consequences of the use of this guide. This publication is a general summary that explains certain aspects of the Medicare Program, but is not a legal document. The official Medicare Program provisions are contained in the relevant laws, regulations, and rulings.

February 2010 ICN 903624